

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE APPLICATION FOR
APPROVAL OF THE ACQUISITION OF CONTROL
OF SOUTHERN PIONEER PROPERTY AND CASUALTY
INSURANCE COMPANY**

AID NO. 2020- 21

ORDER

A hearing was held at 2:00 p.m. on March 6, 2020, at the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Statement Regarding the Acquisition of Control of Southern Pioneer Property and Casualty Insurance Company by the Applicant, Biglari Holdings Inc. dated January 6, 2020 (the “Statement”), which included a Securities Purchase Agreement. The hearing was held before William Lacy, Manager, Compliance Division (“Hearing Officer”) pursuant to his appointment by Commissioner Allen Kerr in accordance with Ark. Code Ark. § 23-61-103. The Arkansas Insurance Department (the “Department”) was represented by Amanda Capps Rose, Associate Counsel, and Mel Anderson, Director of Financial Analysis.

The Applicant’s testimony was presented by Bruce Lewis, the Applicant’s Controller. The Applicant was represented by its attorney, A. Kenneth Levine, of Cozen O’Connor. Southern Pioneer Property and Casualty Insurance Company (“Southern Pioneer”) was represented by its attorney, Derrick W. Smith, of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.

FINDINGS OF FACT

From the Statement, related filings, testimony of the witness and other evidence introduced at the hearing, including exhibits filed in connection with the Statement, reports and

statements on file with the Department, representations of counsel and other matters and things considered, the Hearing Officer finds as follows:

1. The Statement and related filings were filed herein on January 9, 2020. The parties agree that the Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§ 23-63-501, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code. The Notice of Hearing was given within the time and in the manner required by law and the parties consented to the holding of this hearing at this time and on this date.

2. The Applicant will acquire control of Southern Pioneer pursuant to the Securities Purchase Agreement dated as of December 18, 2019, by and among Biglari Holdings Inc., Hyneman Investments, LLC, SPP&C Holding Co., Inc., Southern Pioneer Property & Casualty Insurance Company, Southern Pioneer Insurance Agency, Inc., Hyneman & Associates, Inc./Southern Pioneer Property and Casualty Insurance Company Joint Venture, Hyneman & Associates, Inc., Ben R. Hyneman Revocable Trust, Benjamin R. Hyneman Trust, BRH Trust, Hal F. Hyneman Revocable Trust, Hal F. Hyneman Trust, and HFH Trust.

3. Bruce Lewis, on behalf of the Applicant, testified that, in his opinion:

(a) After the change of control, Southern Pioneer will be able to satisfy the requirements for the issuance of a license to write the line(s) of business for which it is presently licensed;

(b) The effect of the acquisition will not substantially lessen competition in insurance in Arkansas or tend to create a monopoly in Arkansas;

(c) The financial condition of the Applicant will not jeopardize the financial stability of Southern Pioneer or prejudice the interest of its policyholders or the interests of any remaining security holders who are unaffiliated with the Applicant;

(d) The terms of the acquisition are fair and reasonable to the security holder of Southern Pioneer;

(e) Any plans or proposals which the Applicant has to liquidate Southern Pioneer, sell its assets, or consolidate or merge it with any person, or make any other material changes in its business or corporate structure or management are reasonable and fair to the policyholders of Southern Pioneer and are in the public interest; and

(f) The competence, experience and integrity of those persons who would control the operation of Southern Pioneer are such that it would be in the interest of policyholders of Southern Pioneer and the public to permit the acquisition of control.

CONCLUSIONS OF LAW

4. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Hearing Officer have been duly completed by the Applicant and the Department.

5. None of the conditions specified in Ark. Code Ann. § 23-63-510 as preclusions for the approval of the proposed acquisition exist.

6. The Applicant shall provide the Department with notice of any changes to Southern Pioneer's investment policy or investment strategies, including a description of any changes or revisions from the current investment policy, prior to implementation of such changes.

7. Updated third party background checks of Sardar Biglari and Philip Cooley have been ordered and shall be promptly delivered to the Department for review. The Department may request additional information regarding either of these individuals after review of the background checks. Should the Department have any concerns with the information provided in the third party background checks, the Applicant agrees to address the Department's concerns in a timely manner and to the satisfaction of the Commissioner, in his or her sole discretion.

CERTIFICATION

I, Allen Kerr, Insurance Commissioner for the State of Arkansas, do hereby certify that the above Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer were made by and under my authority and supervision by William Lacy, Manager, Compliance Division, and Hearing Officer in this proceeding. I hereby adopt the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations in full and enter this Order.

THEREFORE, it is hereby ORDERED, based upon the above and foregoing Findings of Fact, Conclusions of Law and other matters, the Hearing Officer does hereby approve the proposed acquisition of Southern Pioneer Property and Casualty Insurance Company pursuant to and subject to the terms and conditions of the Statement and related filings and submissions, the Findings of Fact and Conclusions of Law.

IT IS SO ORDERED THIS 10th DAY OF MARCH 2020.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS

RECOMMENDATIONS OF THE HEARING OFFICER

WHEREFORE, based upon the foregoing Findings of Fact, Conclusions of Law, and other matters before him, the Hearing Officer recommends that the proposed acquisition of control of Southern Pioneer by the Applicant should be approved as provided in the Statement and related filings, and as described in this Order.



WILLIAM LACY
DIRECTOR OF COMPLIANCE AND HEARING
OFFICER